

Granite Reef & McDowell Revitalization Masterplan

July 1, 2002

Tonigh

- Discuss and Provide staff direction on key development issues necessary to prepare RFP:
 - Acceptable Development/Disposition Strategies
 - Any Land Use Restrictions
 - Acceptable Return on Investment
- Authorize funding of Phase III of the Master-Planning Contract with EDAW in the amount of \$65,000 to provide Master Site Plan and Design Guidelines for both Developer RFP and Senior Center.

Site Map, *Pre-Demolition*



Masterplan Effort, Ph

Information Collection and Review Analysis

- Review all gathered site information, potential users design, parking and activity information.

Analysis

- Determine compatibility of uses, programming of the site and utilizing shared parking and open space.

Creation of Various Site Plan Scenarios

- Preliminary land use plans with various mixes of uses

Masterplan Effort, Ph

Engineering Study & Assessments

- Analysis and Preliminary costs for utilities for the combination of uses for each preliminary plan.

Financial Analysis of Design Options

- Preliminary Market and Financial analysis of the various approved uses for the site.
- Included scenarios with mixes of retail, office, housing, and non-profit uses.
- Report to Council information on Residual Value for mix of uses and recommend on how to proceed.

Refinement and Final Strategies

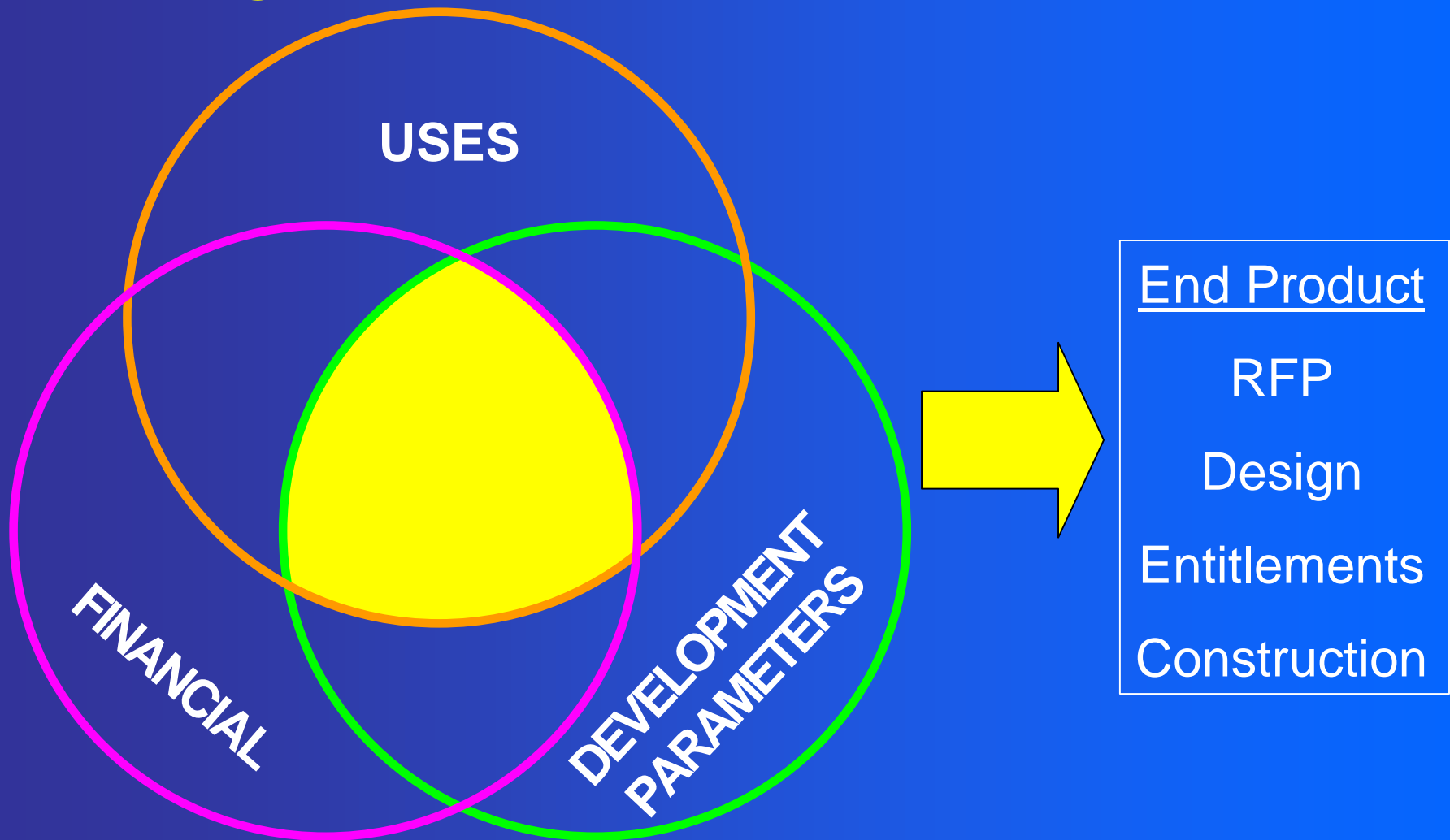
- Final scenarios with a combination of compatible and marketable uses with various levels of return.

Ph

- May 7, 2002 – Neighborhood meeting onsite
 - 30 Attendees
- June 6, 2002 – Open House, Hohokam School
 - 154 Attendees
- June 6, 2002 – El Dorado Park
 - 75 Attendees
 - Comments Included Support for: Senior Center, Mixed Uses, City Services, Neighborhood Retail, Multigen/Activity Center, 'Sit Down' Restaurant, Sensitive Design. Mixed response on School, Senior Housing and Specific Non-Profits.



3 Key Development Issues



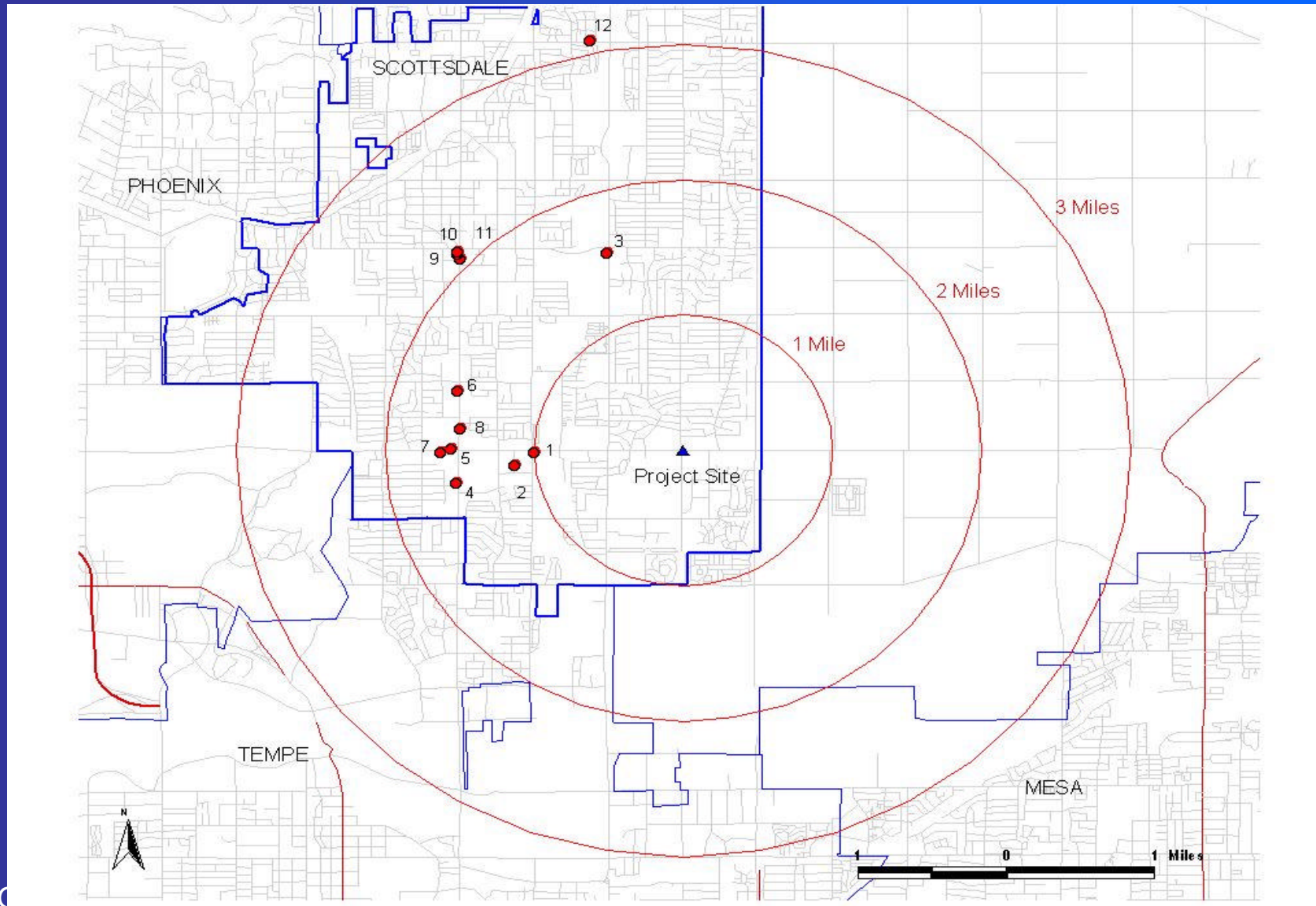
MARKET FINDINGS

Retail

Retail Market Considerations

- Traditional neighborhood anchors restricted
- \$12-16+/- strip retail rents; 91% occupancy rate
- Lack of traditional anchors make financing more difficult
- Non-traditional anchors support retail
- Market orientation & image affected by focus of non-retail development
- Major employer, surrounding residential, and McDowell traffic counts plus
- Family restaurant options - local, franchise, chain - location meets market criteria (traffic counts, population, income)
- Future opportunities/competition at Los Arcos could affect leasing

Family Restaurants Near the Project Site



Retail Market Conclusions

- Limited potential and scope
- Good site, but competitive sites in area
- Low rents
- Opportunities -
 - Convenience retail and services
 - Possibly family restaurant

MARKET FINDINGS

Office

Medical Office Market Considerations

- Synergies with senior center and housing
- \$12-14+/- mostly older, class C buildings; occupancy 79%
- Difficult to support new construction at market rent levels
- Generally small units or buildings; larger buildings near hospitals
- Medical professionals have better choices
- Some interest in office condominium space

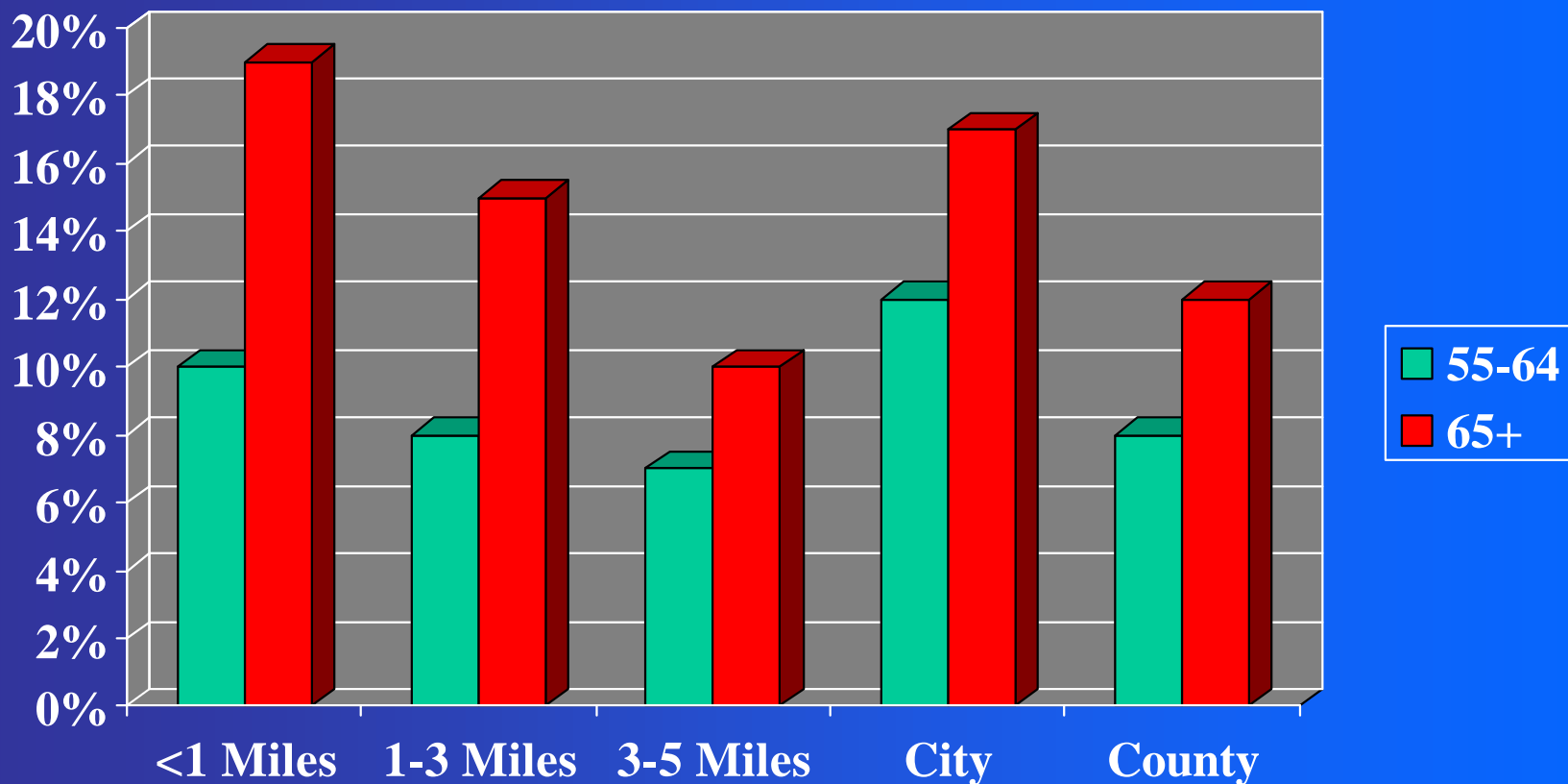
Office Market Conclusions

- Low rent market
- Phase office development
- Opportunities -
 - Second level office above retail for miscellaneous users - medical, non-profits, others
 - Medical office pad site for subsequent phase

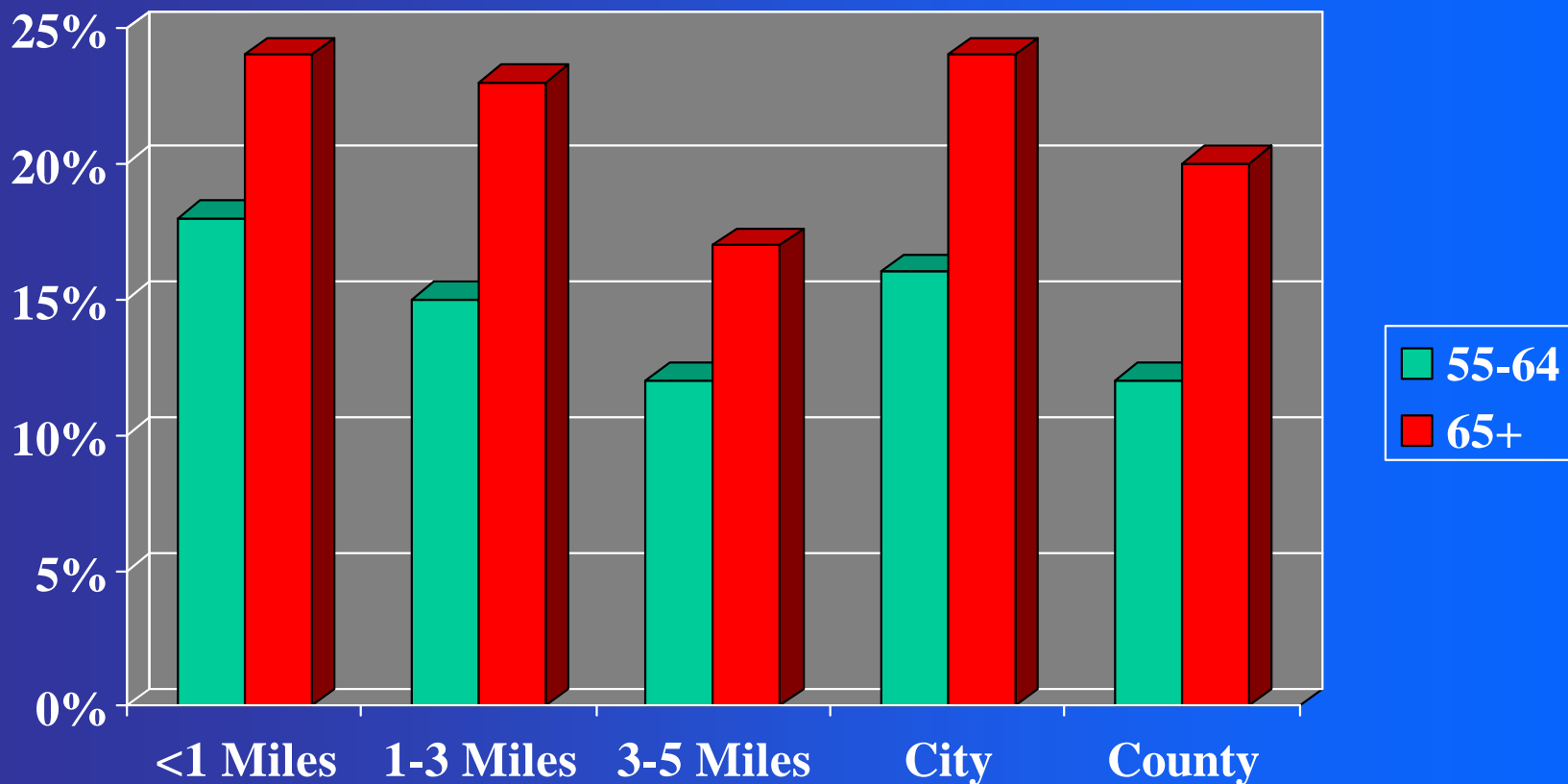
MARKET FINDINGS

Senior Housing

Local Market Has High of Seniors Th



Local Market Has High of Senior HH Th



Senior HH Ch With -Miles

- 44% are family households (mostly married couple, no children at home)
- 53 % live alone
- 76% own and 24% rent

Senior Housing Developments

- 17 Developments in Scottsdale
 - 15 offer independent living
 - 5 offer assisted living
- 10 in South Scottsdale
 - 4 are tax credit or HUD developments
 - 6 are market rate or private developments
- Rents for independent living with services
 - \$1,450-\$2,140/mo. in South Scottsdale
 - \$1,400-\$4,800/mo. in North Scottsdale
- Occupancy rates = low 90s%+

Senior Housing Considerations

- People tend to live in existing SF homes as long as possible
- Average age much older than entry level age - 75 yrs vs. 55/62 yrs.
- Must anticipate aging in place
- Demand must draw from regional population
- Mid-market is more moving up from older apartments than moving down from single-family homes
- Difficult to keep operating costs in check
- Hard to obtain financing because of failures nationally
- Senior center is a plus if it provides services

Senior Housing Market Conclusions

- Good demographic profile
- Mid-market opportunity, but difficult to control operating costs and gain financing
- Opportunities -
 - Age-restricted MF housing with limited services (services supplied by senior ctr.)
 - Low-moderate senior housing

MARKET FINDINGS

Possible Other Uses

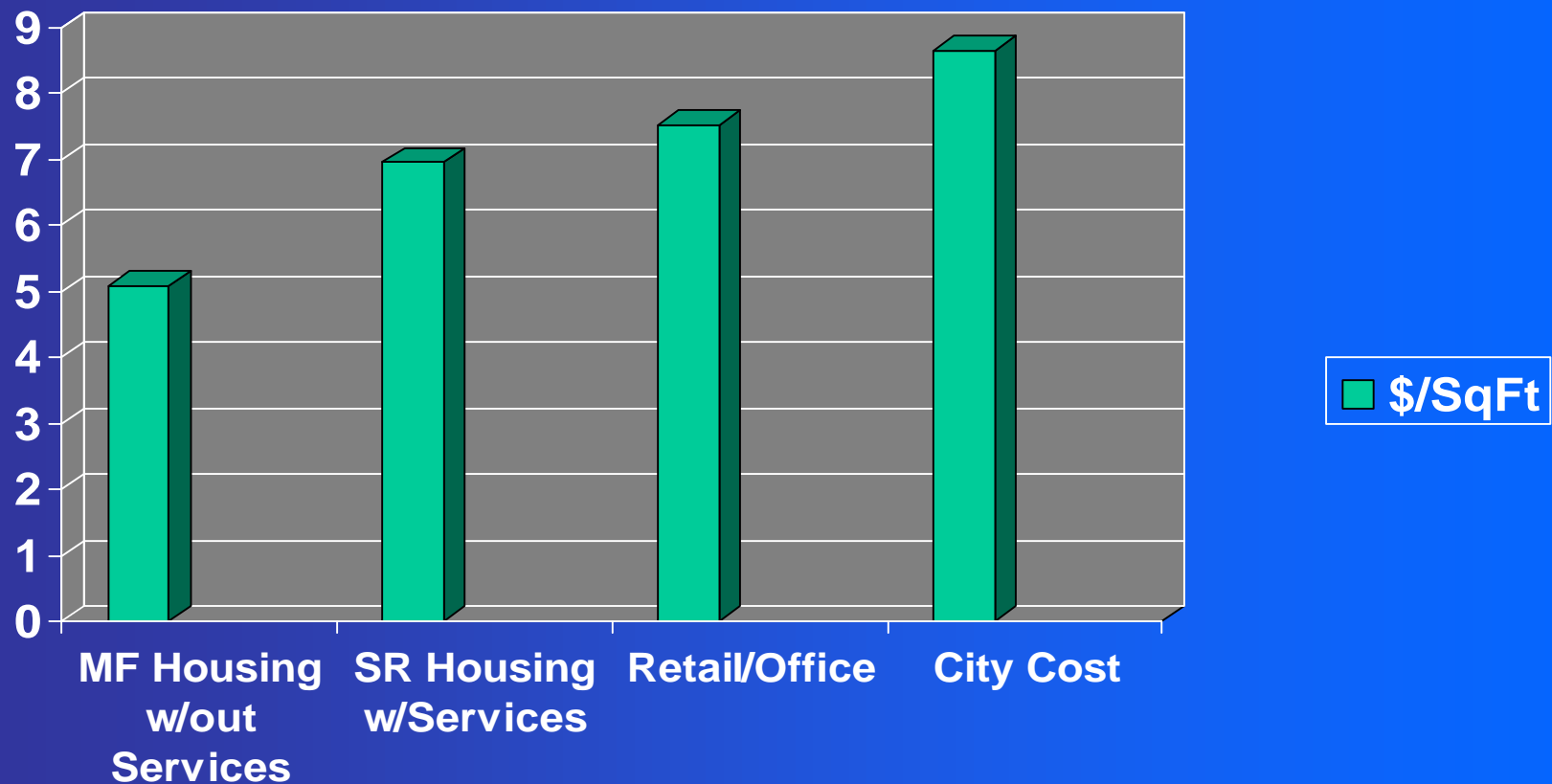
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- Market rate multi-family housing
- Small lot single-family starter homes, townhouses, or move-down homes
- Family fitness clubs

FINANCIAL FINDINGS

Preliminary

Relative Land Value/SqFt



Financial Scenarios

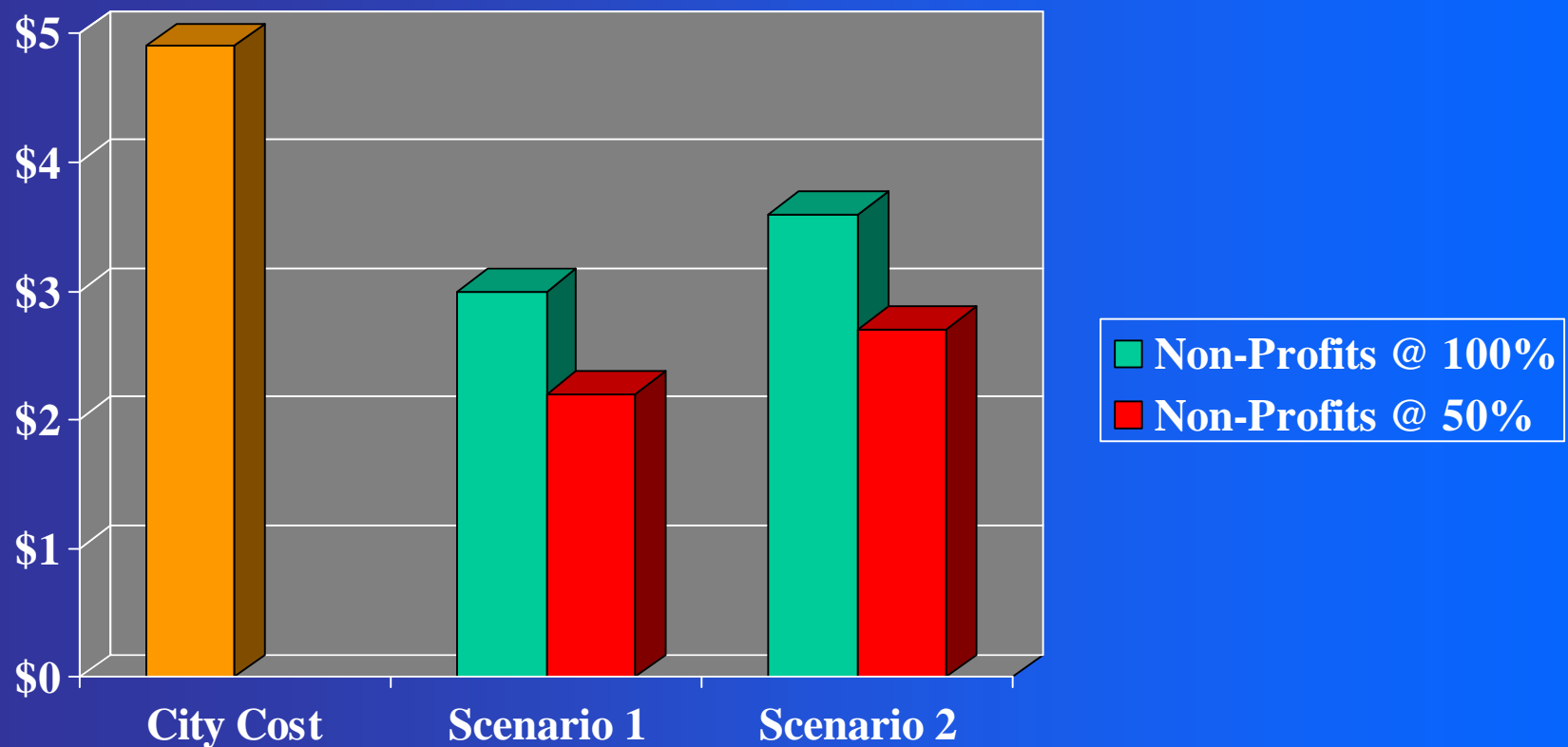
Scenario 1

- Senior Center
- Stagebrush Theater
- Retail/Restaurant
- Commercial Office
- Medical Office
- Rental Housing w/out Services
- Multigen. Center/Non-Profits

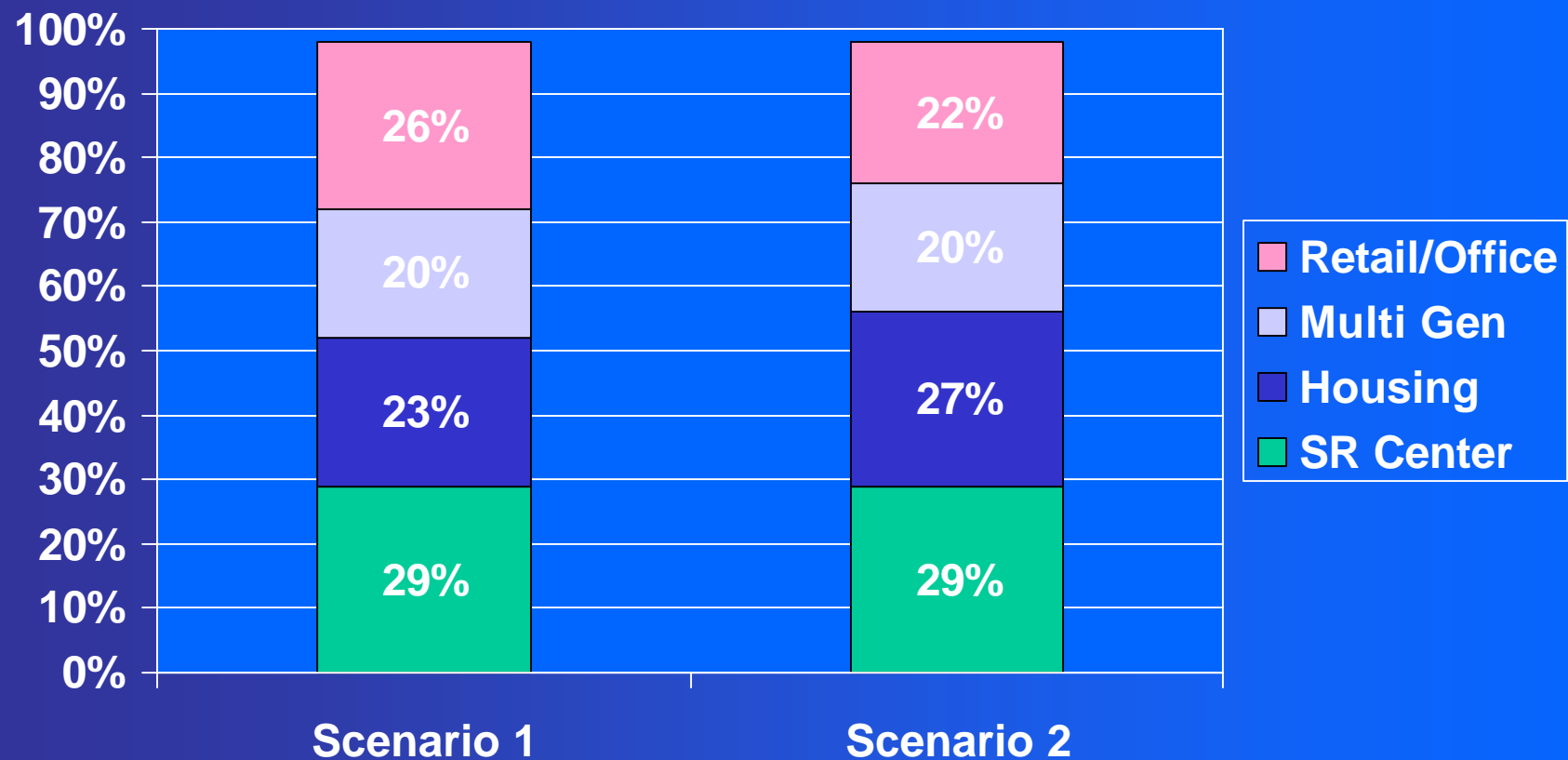
Scenario 2

- Senior Center
- Stagebrush Theater
- Retail/Restaurant
- Commercial Office
- Medical Office
- Senior Housing with Services
- Multigen. Center/Non-Profits

Residual Land Value Comparison (million \$)



Sources of Land Value



Financial Considerations

- Land value per s.f. of housing & commercial less than City's costs & most recent appraised value
- Developments must achieve > current market rents for older space
- Estimates assume non-profits pay full value for land and space
- Estimates assume some 3-story senior housing and 2-story office/retail, some over parking
- All uses plausible, but risky

Land Use Parcel Strategy

Committed Uses, 4.3 Acres

- Senior Center
- Citizen Service Center
- Police Beat Office
- Stagebrush Community Theater

Uncommitted Uses, 8.8 Acres

Potential Uses Include:

- Restaurant – 5,000 SqFt
- Neighborhood Retail/Office – 10,000 – 17,000 SqFt
- Multigenerational Activity Center – 20,000 SqFt
- Senior Housing – 100,000 SqFt (100 units)
- Charter School – 35,000 SqFt
- Non-Profit Uses – 5,000 – 20,000 SqFt
- Non-Profit Headquarters – 50,000 SqFt

Recommended Parcelization













DISPOSITION STRATEGY

Options & Recommendation

1) City As Master Developer - Conveys Lots to Users

Advantages:

- Control
- Coordination
- Flexibility
- City cost of funds
- Long-Term View

Disadvantages:

- Expertise
- Politics
- Time Frame
- Must anticipate private needs
- Risk of Land Ownership

2) City Retains Fee Developer - Conveys Lots to Private Users

Advantages:

- Expertise
- Control through contracts
- Coordination
- Flexibility
- City cost of funds
- Long-Term View

Disadvantages:

- Extra cost
- Contract coordination
- Must anticipate private needs
- Risk of Land Ownership

3) Convey to Private Master Developer - Retain Lots for Public Use

Advantages:

- Expertise
- Private needs met
- Control through deed, agreements, & permits
- Coordination
- Expediency
- Use Private Capital
- Less Long-Term Risk

Disadvantages:

- Enough Incentive?
- Less Control
- Less Obligation to Community
- Less public flexibility

4) Subdivide - Public Use Lot & Private Lots With Rs

Advantages:

- Expertise
- Private Needs Met
- Control through deed, agreements, & permits
- Expediency
- Use Public & Private Capital
- Avoids Developer Fee for City Uses

Disadvantages:

- Must anticipate Coordination Issues
- Timing of Development
- Indirect Control
- Less Public Flexibility

Disposition Recommendation

- City Prepares Framework Plan for RFP
- Subdivide -
 - City retains public lot “A”
 - City conveys non-public lots (“B” & “C”, and “D”) through RFP process
- Back-up Strategy -
 - City retains fee developer & conveys pad sites through RFP process

SELL VS. LEASE

Trade-offs & Recommendation

SELL

Advantages:

- Cash Upfront
- Expediency
- Lower Risk
- Recycle Funds
- Control through deeds, agreements, & permits

Disadvantages:

- Near Term Value Low
- Forfeits Upside Potential
- Less control over time
- Disposes of possible long-term assets
- Forfeits long-term cash flow

LEASE

Advantages:

- Upside Potential
- Retain Assets, Long-Term
- Flexible terms to fit project risk
- Control through lease terms, permits
- Flexibility to Sell Lease
- Return on lease > City's cost of funds

Disadvantages:

- Opportunity cost of cash over time
- Lease management responsibilities & costs
- May reduce developer interest
- More difficult to finance
- More risk in outcome
- Does not work as well with For Sale Housing

Sell vs. Lease

Recommendation

- Lease property for long-term, but entertain purchase offers in RFP

SUMMARY RECOMMENDATIONS

Council Action

Summary Recommendations

- 1) Entertain broad range of mixed-uses on non-public parcels - let responses reflect market, but recommend desired uses
- 2) Establish City Policy to Determine Non-Profit Participation
- 3) City Prepares Framework Plan and Subdivides property
- 4) RFP Non-City Parcels
- 5) Allow some 3-story to enhance leasable area & value
- 6) Specify evaluation criteria in RFP, including public purpose, design & price offered for land
- 7) Lease property but entertain purchase proposals
- 8) Convey parcels with CC&Rs

Recommended Parcelization



Tonigh

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 2. Any Land Use Restrictions
 3. Acceptable Return on Investment
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Tonigh

1. Disposition Strategies:

- Sell all 13 acres as Surplus City Property at auction?
- Sell off acreage that is non-city use at auction?
- Continue on MasterPlan for the entire site with RFPs
 - RFP Approaches
 - RFP Non-Public Parcels as a whole?
 - Development Parameters?

2. Any Land Use Restrictions?

- » Non-Age Restricted MF Housing
- Any Land Use Requirements?
 - » Non-Profits
 - » Multigenerational, non-profit or City-run
 - » Restaurant

Tonigh

cont'd

3. Acceptable Return on Investment?

- Estimated +/- 60% return on investment
- Should there be financial assistance to provide for specific uses

Masterplan Effort Ph

4. Authorize funding of Phase III of the Master-Planning Contract with EDAW in the amount of \$65,000.

– **Design Development**

- Provide Design Guidelines and Conceptual Site Plan to Establish Design Intent for the Development of the Property
- Draft RFP for Developer/User Group for the Site.
- Begin Site Design City Approval Process (pre-app)